

**MULTIMEDIA**



**UNIVERSITY**

**STUDENT ID NO**

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# MULTIMEDIA UNIVERSITY

## FINAL EXAMINATION

**TRIMESTER 1, 2021/2022**

### **DFA5034 – FINANCIAL ACCOUNTING 3**

(All sections / Groups)

25 NOVEMBER 2021  
9.00 a.m. to 12.00 p.m.  
(3 Hours)

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#### **INSTRUCTIONS TO STUDENT**

1. This question paper consists of **8** pages with **4** questions.
2. Answer **ALL** questions.
3. Write your answers in the answer booklet provided.

**QUESTION 1****Part A**

Greatec Sdn. Bhd. began operations on 1 March 2021. Greatec noticed that on 31 March 2021, the ending inventory shows the balance on hand 200 units at a total cost of RM1,000.

The following data show Greatec's inventory records for the month of April 2021:

April 1	Purchase	600 units @ RM 5.20
April 5	Sale	250 units
April 10	Purchase	300 units @ RM 5.40
April 15	Sale	320 units
April 20	Purchase	400 units @ RM 5.60
April 25	Sale	360 units

During 5, 15 and 25 April, the inventories was sold at the price of RM7.50 each.

**Required**

- (a) Assuming the company uses perpetual inventory system. Show the calculation of the cost of goods sold and the ending inventory as at 30 April 2021 by using the first-in-first-out (FIFO) cost flow assumption method. (7 marks)
- (b) Assuming the company uses periodic inventory system. Show the calculation of the cost of goods sold and the cost of the ending inventory if Greatec Sdn. Bhd. uses the following method for valuing inventory. (*Show calculation for cost of goods available for sale and round up the cost per unit to the nearest ringgit*)
- FIFO method. Show the proof your calculation of cost of goods sold. (5 marks)
  - Average Cost method (4 marks)

**Part B**

Wong Company is trying to determine the value of its ending inventory as of 31 December 2020, the company's year-end. The following transactions occurred, and the accountant asked for your help in determining whether the inventories should be recorded or not.

- (a) The physical count of the inventory did not include goods costing RM21,000 that were shipped to Wong Company, FOB destination on 28 December because they were still in transit as at 31 December 2020.
- (b) On 29 December, YBS Engineering shipped goods to Wong Company under terms FOB shipping point. The invoice price was RM4,600 plus freight cost RM200. The receiving report indicates that the goods were received by Wong Company on 3 January 2021.

**Continued...**

- (c) Wong Company realised that they had damaged goods set aside in the warehouse because they are no longer saleable. The company expected to sell these goods for RM2,300 which the original cost of the goods is RM1,500.
- (d) Wong Company sold goods costing RM9,000 to Mu'jam Sdn. Bhd. at the selling price of RM14,000 which include delivery cost RM500, FOB shipping point on 29 December 2020. The goods are not expected to arrive at Mu'jam Sdn. Bhd. until 4 January 2021.
- (e) On 31 December, Wong Company shipped goods to a customer under terms FOB destination. The invoice price was RM2,200; the cost of the items was RM1,700. The receiving report indicated that the goods were received by the customer on 4 January 2021.

**Required**

For each of the above transactions, specify whether the item in question should be included in Wong Company's ending inventory as at 31 December 2020, and if so, at what amount.

(5 marks)

**Part C**

The Apple Company accumulates the following cost and market value for their inventories at 31 December 2021.

Inventory categories	Quantity	Cost (per unit)	Market value (per unit)
iPhone	18	RM2,500	RM1,800
iPad Pro	20	RM3,200	RM3,600
iMac Pro	12	RM6,800	RM6,000
MacBook	7	RM4,800	RM5,500

**Required**

Determine the value of the Apple company's inventory under the lower-of-cost-or-net-realizable-value approach.

(4 marks)

(Total: 25 marks)

**Continued...**

## QUESTION 2

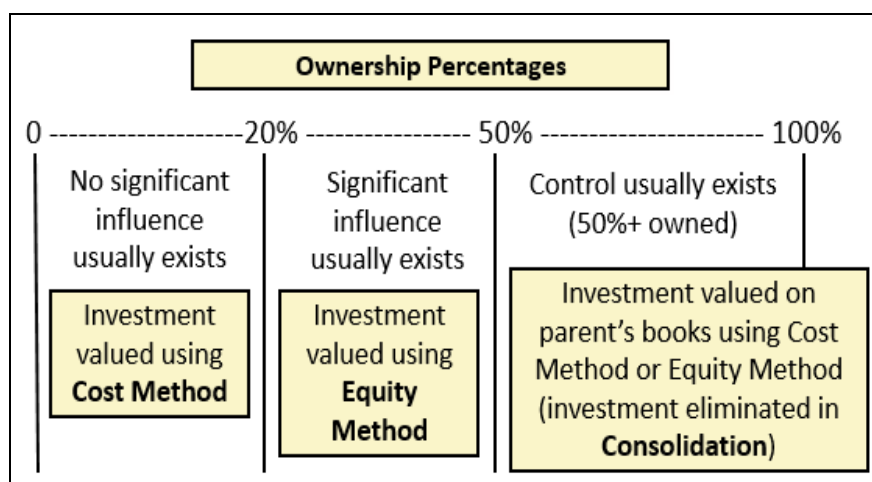
### Part A

Simply Beauty Corporation obtained significant influence over Gorgeous Company by buying 25% of Gorgeous's 100,000 outstanding shares of common stock at a total cost of RM22 per share on 1 January 2020.

On 15 June, Gorgeous Company declared and paid a cash dividend of RM1.50 per share. On 31 December, Gorgeous's reported net income was RM280,000.

### Required

- (a) Information above is pertaining to long-term stock investments in 2020 by Simply Beauty Corporation. Prepare all necessary journal entries for 2020. (3 marks)
- (b) Prepare the journal entries assuming Simply Beauty Corporation cannot exercise significant influence over Gorgeous Company. Further, assume that Gorgeous Company's ordinary shares are classified as trading security and were valued at RM24.40 per share on 31 December 2020. (4 marks)
- (c)



**Figure 1.0**

The accounting depends on the extent of the investor's influence over the operating and financial affairs of the issuing company. The above **Figure 1.0** shows the methods used to record the value of investment.

### Required

Explain **TWO (2)** main differences in recording the investment by using Cost Method and Equity Method. (2 marks)

**Continued...**

## Part B

FashionValet (FV) is the modest fashion industry in Malaysia which was established in November 2010. FashionValet has had two exceptionally good years and has elected to invest its excess funds in bonds.

The following selected transactions relate to bonds acquired as an investment by FashionValet, whose fiscal year ends on 31 December.

Year 2017	
Jan 1	Purchased 1000, RM1,000 Lilit Corporation for RM1,000,000 10 years, 9% bonds. The brokerage fees are RM3,800.
July 1	Received the semiannual interest on the Lilit bonds.
Dec 31	Accrual of interest at year end on the Lilit bonds.

Assume that all intervening transactions and adjustments have been properly recorded and the number of bonds owned has not changed from 31 December 2017 to 31 December 2019.

Year 2020	
Jan 1	Received the semiannual interest on the Lilit bonds.
Jan 1	Sold RM400,000 Lilit bonds at 1.14. The broker deducted RM7,000 for commissions and fees on sale.
July 1	Received the semiannual interest on Lilit bonds.
Dec 31	Accrual of interest at year end on the Lilit bonds.

## Required

- Prepare the journal entries to record the above transactions for the years 2017 and 2020. (8 marks)
- Assume that the fair value of the bonds at 31 December 2017 was RM975,000. These bonds are classified as non-trading securities. Prepare the adjusting entries to record these bonds at fair value. Show all your workings. (2 marks)

## Part C

Corvan Asia sells home and electrical appliances in Shoppe to boost their sales and provides a 1-year warranty for all products. One of its best-selling items is a cordless vacuum cleaner. The company sold 2,200 cordless vacuum cleaners for RM350 each in 2020.

Based on past experience, Corvan Asia estimates that 4% of the cordless vacuum cleaner sold during the year will have to be replaced and the average cost of replacing or repairing a defective unit will be RM80.

In 2020, the company repaired 100 units of defective cordless vacuum cleaners.

**Continued...**

**Required**

Prepare the journal entries to record the sale of cordless vacuum cleaner in cash, the cost of honouring the warranties and the estimated liability for warranties for Corvan Asia at 31 December 2020. (6 marks)

(Total: 25 marks)

**QUESTION 3****Part A**

Tetuan Nazri & Co. is a registered law firm with the Bar Council of Malaysia, a professional body that regulates the profession of lawyers in Peninsular Malaysia. The company had run its legal firm services as a partnership since January 2015.

Nazri and his friends, Kaire and Niki are the partners in Tetuan Nazri & Co. where they share profit or loss based on the income ratio of 3:2:1. They have also agreed on an annual salary allowance of RM52,000 for Nazri, RM48,000 for Kaire and RM40,000 for Niki.

On 1 January 2021, Nazri, Kaire and Niki showed balances of their capital as follow:

<i>Partner</i>	<i>Capital Balance (RM)</i>
Nazri	95,000
Kaire	60,000
Niki	42,000

**Required**

- (a) Prepare the journal entries for the withdrawal of Niki under each of the following independent assumptions
- Nazri and Kaire agree to buy out Niki's interest and pay RM21,000 in cash from personal funds to Niki. Nazri receives 60% of Niki's equity and Kaire received 40%. Show all workings. (3 marks)
  - Niki retires from the partnership and receives a cash payment of RM34,000 from the firm. This includes a bonus to the remaining partners with an income ratio of 3:2. Show all workings. (3 marks)
  - From partnership assets, Niki is paid RM45,000 cash which includes a bonus to her with an income ratio of 3:2. Show all workings. (3 marks)
- (b) Identify at least **TWO (2)** situations when the partnership may pay a bonus to a retiring partner? (2 marks)

**Continued...**

**Part B**

In 2020, PKP Company is on the brink of bankruptcy as they cannot run their operation due to pandemic Covid 19. The partners decide to liquidate by having a “going-out-of-business” sale. They sell merchandise at substantial discounts and sell the equipment at auction.

PKP Company is liquidated and the cash proceeds from these sales and collections from customers total only RM97,200.

The following are the account balances for PKP Company prior to liquidation process as at 31 July 2020:

	RM
Cash	50,000
Accounts receivable	16,500
Inventory	20,000
Motor Vehicle	58,000
Accumulated depreciation – Motor Vehicle	1,500
Notes payable	20,000
Accounts payable	30,000
Sonia, capital	33,000
Gina, capital	34,000
Yee Ling, capital	26,000

The partners, Sonia, Gina and Yee Ling share an income ratio of 3:2:1, respectively.

**Required**

- (a) Prepare the journal entries to record the liquidation of PKP Company in 2020. Show all workings.

(11.5 marks)

- (b) A capital deficiency may occur due to the recurring net losses, excessive drawings, or losses from realization suffered during liquidation. Explain the steps in recording the journal entries if the company’s liquidation with a capital deficiency and the partner has the ability to pay the partnership for the deficiency.

(2.5 marks)

(Total: 25 marks)

**Continued...**

**QUESTION 4****Part A**

On 1 January 2021 the ledger of Ireka Bhd. contains the following liabilities balances:

	<b>RM</b>
Note payable	15,500
Sales and service taxes payable	26,200
Unearned service revenue	24,400

The company prepares the financial statements quarterly. During 2021, the following selected transactions occurred:

- Feb 1 Borrowed RM60,000 in cash from OBCB Bank by issuing a 4-month, 7%, note.
- Mar 12 Provided services to a client who had made advance payments of RM18,000.
- 22 Paid to Malaysia Royal Customs Department for sales and service taxes collected in December 2020, RM26,200.
- 31 Accrued interest for OBCB Bank's note.
- May 1 Purchased heavy duty equipment from Jetson Company paying a deposit of RM20,000 in cash and signing a 10%; 3-month, RM90,000 note.
- June 1 Paid the face value and interest on OBCB Bank note.
- 30 Accrued interest for Jetson Company's note.
- Aug 1 Settled Jetson Company's note on maturity date.
- Sept 15 Received telephone and electricity bills with the total amount RM1,200 for utilities expenses incurred for the month.
- Oct 31 Received cash in advance amounted to RM24,500 from KYM Sdn. Bhd. for service that will be provided in December and January next year.
- Dec 31 The company completed 40% of the service to the KYM Sdn. Bhd. at the end of December 2021. The remaining services are to be completed on January 2022.

**Required**

- (a) Prepare journal entries to record the above transactions. Show all your workings.  
(9 marks)
- (b) Prepare the partial Statement of Financial Position to show the related liabilities accounts for Ireka Bhd. as at 31 December 2021.  
(4 marks)

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**Part B**

The comparative Statement of Financial Position of Resintc Company is presented below:

<b>Resintc Company</b> Comparative Statement of Financial Position as at March 31		
	<b>2020</b>	<b>2021</b>
<u>Property Plant and Equipment</u>		
Land and building	RM320,000	RM370,000
Plant and machinery	250,000	310,000
	<u>570,000</u>	<u>680,000</u>
<u>Current Assets</u>		
Cash at bank	157,000	200,000
Supplies	90,000	98,000
Account receivables	54,000	61,000
Prepaid expenses	15,000	25,000
Total Assets	<b><u>RM886,000</u></b>	<b><u>RM1,064,000</u></b>
<u>Owner's equity</u>		
Owner's capital	400,000	480,000
<u>Non-Current liability</u>		
Note payables	300,000	350,000
<u>Current liabilities</u>		
Account payables	100,000	126,000
Unearned revenue	86,000	108,000
Total Liabilities and Owner's Equity	<b><u>RM886,000</u></b>	<b><u>RM1,064,000</u></b>

**Required**

- Using horizontal analysis, show the percentage change for Comparative Statement of Financial Position items using 2020 as a base year. (4 marks)
- Using vertical analysis, prepare a common size comparative Statement of Financial Position as at 31 December. (5 marks)
- Compute the receivable turnover ratio and the receivable collection period for **both years**. Assuming the account receivables on 2019 are RM56,000 and the net credit sales for the company in 2020 and 2021 are RM330,000 and RM420,000 respectively. Round up your answers to two decimal places. (2 marks)
- Briefly comment on the ratio calculated in (c) for 2021 as compared to 2020. Indicate whether the company performed better or worse? Why? (1 mark)

(Total: 25 marks)

**End of Paper**